Grey areas in ivory-tower strategies

Plugging gap between ''intended'' and ''enacted''

Not all black and white, as Unilever discovers

Everyone in charge of a business has, from time to time, had the feeling ''If you want something doing do it yourself''. The reality is that you just do not have the time, especially if you are a high-flying executive of a global corporation, and that is where delegation can be a panacea – or a big problem. When it comes to successfully implementing a new strategy, those at the top must also have an eye for detail.

A new strategy is often little more than an idea at its outset. For example: ''focus on projects that fit our competences'' or ''focus on brands with potential''. The strategy may be articulated by the chief executive and supported by the best consultants, but its details will not become clear and it will not gather gravitas in the organization until decisions are actually made and the benefits realized. New strategies need a powerful process for implementation. Without it, they are just flavor-of-the-month rhetoric.

Take the top-level management of Unilever when the company was defining new priorities in its ''Path to growth'' strategy in the early years of this decade. It meant shifting resources away from local, mature and weak brand positions towards international brands, high-growth segments and winnable positions. Instead of providing support for more than 1,400 brand positions, the strategy called for a focus on only 400. However, the outcome, in terms of growth, was the opposite of that planned. Why?

Unilever made many important decisions in line with the strategy. In foods, it acquired Best Foods, a company with a few powerful international brands. Nine foods brands, such as Knorr and Lipton, were defined as priorities and many smaller brands, such as Walls and Ambrosia, were sold. In household and personal care, 20 brands, such as Dove, Sunsilk and Rexona, were given priority. These were the black and white decisions where the new strategy gave clear guidance. But the success of the strategy depended not just on these easy-to-control, top-level decisions, but on thousands of smaller decisions about how much to invest in each of Unilever's 1,400 brand positions. Some of the brands competed in hundreds of market segments, resulting in a matrix of more than 300,000 product-market segments about which the organization needed to decide how much to invest in new product development and advertising.

Personal interests aligned with local positions

Since it was impractical for top executives to attempt to make all these decisions, they tried to ensure alignment with the strategy by delegating targets to lower levels of management. Inevitably, these managers had personal interests aligned with local positions and previous strategies. In a few product/market segments, the new strategy clearly did not fit the local

DOI 10.1108/02580541111115483

market. These obvious areas of misfit caused local managers to realize that there were ''special cases''. This encouraged other managers to argue their own special cases. The net result was that Unilever still supported more than 800 brand positions, and, more importantly, the balance of investment had not shifted sufficiently away from segments where growth was low or Unilever had a limited position.

High importance of the smaller decisions

Unilever is not unique in finding that a gap develops between the intended strategy and the enacted strategy. Many companies have similar experiences. The solution is to design a process of interaction between the top executives and lower levels of management that enables better quality debate about these grey areas.

The danger is to focus on the black and white issues. These are easy for top managers to influence, and can make them feel that implementation is going ahead smoothly. But the engine room of strategy execution is often a large number of smaller decisions that are less black and white. The strategy development and execution process must be aimed at these much tougher decisions.

Five guiding principles which companies can adopt are:

1. Identify the total number of resource allocation decisions that any new strategy is trying to influence. If the number exceeds 50, there is a risk of strategic slippage because some of the judgments will need to be delegated to lower levels of management. The risk of strategic slippage increases as the number of decisions increases.
2. Invest in generating quality data at an appropriate level of granularity. Good strategic choices depend on good data. If the data supporting the strategy is high level or aggregated, it is easy for managers at the coal face to conclude that the strategy does not apply to them. Hence, whether the number of resource allocation decisions is 50 or 50,000, the data generation process should match it. There should be only one database for all parts of the organization to contribute to and draw from. Differences of opinion about the data should be resolved at the point of data entry rather than during the discussion of strategy. Without this common granulated data set, any dialogue between lower and higher levels of management involves trading opinions, and managers closer to the action will always feel that their opinions have more validity.
3. Develop a process that focuses top management attention on significant grey areas. A one-step process is unlikely to be sufficient. The first step may achieve little more than identify the grey areas. The second step is likely to deal with the more tractable grey areas. For many large companies there needs to be a third or fourth step in the process to ensure that top management attention is effectively channelled to the most difficult grey areas.
4. Do not shrink from dialogue, but allow for cooling-off periods. Top management should not expect to be able to make the decisions in the quiet of their boardrooms closeted only with supportive consultants. The best choices will result only if there is real dialogue between the layers, properly supported by relevant, granular data. Dialogue is necessary both to validate the strategy and to help communicate it.
5. Keep top management engaged until the volume of grey areas is no longer significant. Implementing a new strategy in a complex organization takes top management time. These managers are frequently uncomfortable with a process that takes longer than a few

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months and can become distracted by other priorities along the journey. Hence it is best to manage expectations at the beginning and lock those concerned into the work that needs to be done by advertising the process well in advance. The final step is always the linking of strategy decisions with the operating plans, but it is often best to leave this until most of the grey areas have been resolved.

The dialogue stimulated by the difficult decisions often generates new strategic insights and often leads to new strategies. The dialogue also ensures that top managers remain in touch with reality. Deep dialogue about the grey areas is an insurance against ivory tower strategies and half-hearted implementation.

Comment

Keywords:
Strategic management,
Strategic planning,
Employee involvement,
Organizations

This review is based on ''The black and white and grey of strategy'' by Campbell *et al.* (2010), who advise how organizations might plug the gap which often emerges between a desired and an enacted strategy. Top managers need to be much more involved in executing new strategies. By predicting where lower level managers are likely to lose focus, top managers can intervene to ensure that the strategy is followed through.

Reference

Campbell, A., Renshaw, P. and Engstrom, S. (2010), ''The black and white and grey of strategy'', *Journal of Strategy and Management*, Vol. 3 No. 4, pp. 344-51, ISSN 1755-425X.